

Message Text

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ACTION EA-14

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-15

AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 RSR-01 AGR-20 /166 W

----- 031638

R 080329Z AUG 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 7148

INFO CINCPAC

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E.O. 11652: N/A

TAGS: EFIN, RP

SUBJECT: PHILIPPINE GOVERNMENT NATIONAL BUDGET

FY 74

BEGIN SUMMARY: FY 74 PHILIPPINE GOVERNMENT BUDGET
ANNOUNCED LAST MONTH AND JUST OBTAINED IN DETAIL CALLS FOR
EXPENDITURES OF P8.6 BILLION (\$1.3 BILLION), AN INCREASE OF 50
PERCENT OVER FY 72 EXPENDITURES. INFRASTRUCTURE
SPENDING WHICH ROSE BY 38 PERCENT IN FY 73 IS
EXPECTED TO RISE BY ANOTHER 62 PERCENT IN FY 74
FOR A TOTAL INCREASE OF NEARLY P1.3 BILLION (\$191
MILLION) OVER TWO YEAR PERIOD. INCREASES IN
SPENDING ARE TO BE FINANCED BY HIGHER TAX REVENUES -
P2.9 BILLION (\$426 MILLION) OVER TWO YEAR PERIOD -
AND HIGHER GOVERNMENT BORROWING. BUDGET FIGURES
INDICATE PUBLIC SECTOR WILL EXERT STRONG
EXPANSIONARY PRESSURE ON ECONOMY OVER NEXT 12
MONTHS. WHILE ECONOMY WILL NO DOUBT BENEFIT
OVERALL FROM STIMULUS PRICE INCREASES MUST BE
EXPECTED, MOST SHARPLY FOR CERTAIN BASIC NOW ITEMS NOW IN SHORT
SUPPLY. END SUMMARY.

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1. PHILIPPINE GOVERNMENT ANNOUNCED FISCAL 1974 PUBLIC SECTOR BUDGET LATE IN JULY AND HAS NOW RELEASED COMPLETE BUDGET STATEMENT. STATEMENT CONTAINS FIRST COMPREHENSIVE PICTURE OF ECONOMIC ROLE OF PUBLIC SECTOR SINCE FISCAL 1973 BUDGET ANNOUNCED IN FEBRUARY 1972. MAGNITUDE OF CHANGE IS REFLECTED IN 50 PERCENT INCREASE IN SPENDING OVER TWO YEAR PERIOD FROM P5.9 BILLION (\$868 MILLION) IN FISCAL 1972 TO P8.6 BILLION (\$1.26 BILLION) IN FISCAL 1974. FISCAL 1973 SPENDING ALONE IS ESTIMATED TO HAVE INCREASED 42 PERCENT OVER AMOUNT BUDGETED IN FEBRUARY 72. FY 1974 EXPENDITURES AND RECEIPTS EXPECTED TO EXCEED BUDGET BY AT LEAST 10 PERCENT AS BUDGET STATEMENT DOES NOT ALLOW FOR INFLATION.

TABLE I. BUDGET SUMMARY

(ALL FIGURES IN THIS AND SECCEEDING TABLES ARE IN MILLIONS OF U.S. DOLLARS AT P6.8 EQUALS \$1.0)

	1972 ACTUAL	1973 ESTIMATE	1974 BUDGET
TOTAL EXPENDITURES	822	1175	1266
TOTAL RECEIPTS	846	1263	1271

2. MAJOR SOURCE OF INCREASE IN 73 AND 74 FIGURES HAS BEEN EXPANDED GOVERNMENT INFRASTRUCTURE PROGRAM AIMED AT REPAIRING DAMAGE CAUSED BY JULY AND AUGUST 1973 FLOODS AND STRENGTHENING BASE FOR ECONOMIC DEVELOPMENT. BUDGET DOCUMENTS INCREASE IN INFRA-STRUCTURE EXPENDITURES FROM P770 MILLION (\$113 MILLION) IN FISCAL 1972 TO P1.7 BILLION (\$250 MILLION) IN FISCAL 1974. LARGEST INCREASES WERE FOR HIGHWAYS, FLOOD CONTROL AND DRAINAGE, IRRIGATION, WATER SUPPLY AND RURAL ELECTRIFICATION.

TABLE II. EXPENDITURES BY ECONOMIC CATEGORY

	1972 ACTUAL	1973 ESTIMATE	1974 BUDGET
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CURRENT EXPENDITURES	531	606	719
GROSS CAPITAL FORMATION	112	190	243
TRANSFERS	179	380	304

3. BUDGET STATEMENT NOTES SIGNIFICANT RISE IN DEFENSE EXPENDITURES. FUNCTIONAL DISTRIBUTION OF BUDGET ALLOCATES P1.4 BILLION (\$202 MILLION) IN FY 1974 COMPARED TO ACTUAL EXPENDITURES OF P880

MILLION (\$129 MILLION) IN FY 1972. SHARPEST INCREASE IS IN CAPITAL OUTLAYS WHICH ARE EXPECTED TO RISE TO P91 MILLION (\$13 MILLION) IN FY 1974, INCLUDING P50 MILLION (\$7.4 MILLION) FOR MILITARY SELF-RELIANCE PROGRAM.

TABLE III. DEFENSE EXPENDITURES

	1972	1973	1974
	ACTUAL	ESTIMATE	BUDGET
CURRENT EXPENDITURES	108	154	170
CAPITAL EXPENDITURES	3	12	13
TRANSFERS	18	19	18

4. BUDGET STATEMENT ALSO REFLECTS MARKED IMPROVEMENT IN GOP TAX EFFORT. REVENUE FROM INCOME TAXES INCREASED BY P580 MILLION (\$85 MILLION) BETWEEN FY 1972 AND FY 1973. AMNESTY TAX PROGRAM PRODUCED FURTHER P350 MILLION (\$51 MILLION) IN ADDITIONAL REVENUES IN FY 1973. LEVY OF NEW TAXES IN FY 1974 EXPECTED PRODUCE ADDITIONAL REVENUES OF P487 MILLION (\$72 MILLION). TOTAL TAX AND OTHER RECEIPTS EXPECTED RISE 30 PERCENT OVER PERIOD FY 1972 TO FY 1974 WITH RISE IN REVENUES OF P2.9 BILLION (\$426 MILLION).

TABLE IV.

	1972	1973	1974
	ACTUAL	ESTIMATE	BUDGET
TAXES	642	834	876
OTHER EARNINGS & RECEIPTS	109	102	109
BORROWINGS	94	290	213

5. INCREASE IN EXPENDITURE LARGER THAN INCREASE IN TAX AND OTHER RECEIPTS FOR BOTH FY 1973 AND FY 1974. LIMITED OFFICIAL USE

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NEEDED BORROWINGS BY PUBLIC SECTOR IN FY 1973 AMOUNTED TO NEARLY P2.0 BILLION (\$290 MILLION). BUDGET STATEMENT CALLS FOR BORROWINGS OF NEARLY P1.5 BILLION (\$213 MILLION) IN FY 1974. THESE BORROWINGS OFFSET IN PART BY FOREIGN ECONOMIC ASSISTANCE BUT NEVERTHELESS CAN BE EXPECTED HAVE STRONG EXPANSIONARY EFFECT ON ECONOMY, ACCOUNTING IN PART FOR 30 PERCENT INCREASE IN MONEY SUPPLY DURING FY 1973. WHILE ECONOMY CONTINUES TO HAVE SUBSTANTIAL UNUSED CAPACITY SUPPLY SHORTAGES OF SOME COMMODITIES, INCLUDING RICE, ARE RESULTING IN PRICE INCREASES. GOVERNMENT WAS SUCCESSFUL IN HOLDING AVERAGE LEVEL OF PRICE INCREASE TO TARGET FIGURE OF 10 PERCENT IN FY 1973 BUT MAY FIND THIS TARGET MORE DIFFICULT TO ATTAIN IN FY 1974.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BUDGET, BUDGET DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 08 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MANILA09021
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730851/aaaablih.tel
Line Count: 170
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 03 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03-Dec-2001 by kelleyw0>; APPROVED <21-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PHILIPPINE GOVERNMENT NATIONAL BUDGET FY 74
TAGS: EFIN, RP
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005